



**Aberdeen &
Grampian
Chamber of
Commerce**

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Dear Chris,

I noted with interest your comments made to LBC last week regarding the Rosebank oil and gas field. I felt it necessary to follow-up with some information insofar as it relates to the interests of the businesses and the workforce we represent. While Aberdeen & Grampian Chamber of Commerce does not operate directly within your constituency, there is both significant supply chain spend and employment from the energy sector within Edinburgh East and Musselburgh. Indeed, the future success of the North Sea in transition is of central importance to the energy security and economic fortunes of Scotland and the entire UK.

Recognising firstly some points of agreement; we agree wholeheartedly that the UK has huge opportunity in the years to come to lead the world on reindustrialising our economy to support the energy transition. Furthermore, we also share your belief that decisions around energy supply and demand should be mindful of how they can help to drive investment into renewables and reduce costs for household and business consumers.

That said, we believe that the cliff-edge scenario that industry and government both wish to avoid is already upon us. If we apply an effective blanket ban on any development of new fields in the UKCS, before renewables has sufficiently plugged the gap in terms our energy requirements and employment opportunities, then there are other considerations to take into account. At the heart of our advocacy work in this area is ensuring that the UK achieves a balanced all-energy approach that is good for investment, jobs, government revenue-raising, stimulating progress on renewables and addressing climate change.

Around 200,000 people are employed by the UK energy sector today. Just under half of these jobs are based in Scotland, with 45,000 of these in the Aberdeen area alone. Fewer than 10% of these work directly for the oil and gas majors. The majority of blue-collar workers who are the power behind the industry work in the supply chain, made up of world-class SMEs and many home-grown entrepreneurial success stories. It will be the availability of these companies and these people who will dictate the pace and success or otherwise of the energy transition.

But the challenge of declining oil and gas is already impacting livelihoods. Some of this is to be expected, in line with a natural fall in production from a mature basin. Figures show, however, that the rate of decline has effectively been doubled by policy uncertainty. This is at the heart of our concerns. In its 7th Carbon Budget the Climate Change Committee noted that “direct employment in oil and gas in Aberdeen has declined by nearly one-third since 2015” and that, in turn, “disposable income has fallen and poverty increased”. The future also looks bleak unless we provide comfort to the sector. Robert Gordon University's recent report, *Striking the Balance*, warns of a “Grangemouth every fortnight” in terms of job losses in the years ahead and OEUK has warned of around 1,000 job losses per month between now and 2030 unless the government changes course. This death by a thousand cuts is already underway and risks irreversible, generational industrial decline on a scale not seen since the 1980s.



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It is important to bear in mind that oil and gas continues to account for over three quarters of our total energy requirements, primarily for heating and transport. Where I believe we are in total alignment with you is around the need to reduce this reliance, transition at pace towards renewable sources of energy and to capitalise on the growth opportunities this presents. The £100 billion investment opportunity between ScotWind and INTOG offshore wind projects alone is something that many of our member businesses stand ready to deliver.

But for as long as we need oil and gas, it makes most sense environmentally to produce as much of this as possible from the UK. By their nature Scope 3 (end use) emissions exist regardless of origin. The CCC estimates that we will require 13-15bn barrels of oil and gas equivalent to power the UK as we move towards net zero. We cannot satisfy all of this domestically but if we can provide 50% of it (rather than the 25% on current trajectory), then we generate significant benefits for UK taxpayers and businesses in the process.

The UK North Sea is rightly a highly regulated basin, and scope 1 and 2 emissions from domestic production are much lower than most of the regions globally we are importing from. Recent news from Centrica, who are looking to invest in more import capacity for LNG, reinforces this point. Falling North Sea production (which pays production taxes in the UK and funds our public services) is being replaced by more and more LNG from the United States, which, according to the North Sea Transition Authority, emits four-times more carbon than North Sea gas. Buying in the energy supplies we need from overseas is a lose-lose outcome: less revenue raised for the Exchequer, fewer jobs in the UK, and higher global emissions as a result.

On the basis of the above, not only would we urge you to reject the oversimplified language of stopping individual oil and gas fields from being developed, we hope to see the UK government go even further to make our energy sector globally competitive and investible.

We believe that the 'short term gain' approach of the Energy Profits Levy has failed. The accelerated decline in confidence and investment activity is going to compound long term damage. If there is no activity in the UKCS in future, then there is nothing to tax. Please find attached our "Unlocking Economic Growth" paper, which we recently shared with HM Treasury, which expands on this crucial point.

We share the UK Government's ambition for a resilient economy and opportunities to unlock further growth. The oil and gas sector, by being enabled in its delivery of greater energy security, can provide around £100-150bn of additional GVA with no public subvention being required. We believe that homegrown energy, including the contribution of oil and gas, must form an integral part of the government's Industrial Strategy. Please find attached a paper submitted jointly by AGCC, Opito and OEUK which expands on these points.

Finally, I want to stress our commitment to a successfully managed transition. The North Sea is a tremendous asset for the UK. As the oil and gas basin matures to a renewables future, it is in the UK's national interest to get this right. The report of the independently chaired North Sea Transition Taskforce, which published its finding earlier this year, makes these points powerfully. Again, I have attached the report in full should you wish to consider its findings in greater detail.

We look forward to future engagement with you and colleagues on these important issues and would welcome the chance to discuss these matters further with you.

Yours sincerely



Russell Borthwick
Chief Executive